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THE GENERAL FINANCIAL SITUATION

No doubt the great Allied victories in France have helped to bring about the substantial rise in quotations of a number of the leading industrial stocks traded in Montreal and Toronto. Those victories have been taken as the turning point of the 1918 campaign—it is believed that they mark the end of German offensives on a large scale and the beginning of a new era in which the initiative will largely rest with the Allies. In fact there are some well-balanced observers who see in the developments on the French battlefields since July 15, the beginning of that last German retreat to Berlin for which the civilized world has long devoutly prayed. Such developments, carrying as they do the suggestion that Germany may conceivably break at any time, would naturally increase the confidence of speculators and investors in position to buy stocks. It is notable, however, that while our industrials were rising last week and early in this week the Wall Street market was comparatively quiet. That might be explained by the fact that Wall Street had a rise of some consequence about a month ago, when the news of Foch's successful counterstroke was first received. On that occasion our markets did not attempt to reflect the good news. We may be sure, however, that further important victories over the Germans at this stage would find instant reflection in all the Allied centres, as they would point to conclusion of the war at a date earlier than had been previously expected.

It is to be remembered that in case of a number of the stocks which have risen in our markets there are good prospects of increased dividend distributions; and in case of others the market had not previously responded to increased dividend or bonus payments previously made. The activity in the stock markets shows that money can be obtained in reasonable amounts for purchase of stocks notwithstanding the "conservation of credits" policy of the banks. It is said that private funds are available in some quantity, and perhaps the stock exchanges are thus able to supply a part of their needs. According to current reports, the bond market in Montreal and Toronto is in good condition—the brokers apparently have fairly well disposed of their holdings of bonds. This points to a favourable technical position for the new Victory Loan. It is not expected that there will be many provincial and municipal issues

of importance until the Victory Loan is successfully placed.

Taking the three large Canadian railway systems, their gross earnings for July, 1918, were practically the same as for July, 1917. The figures are as follows:—

	July, 1917.	July, 1918.
Canadian Pacific	\$12,925,000	\$11,920,000
Grand Trunk	6,001,000	7,093,000
Canadian Northern	3,845,000	3,739,000
	<u>\$22,771,000</u>	<u>\$22,752,000</u>

The difference is just \$19,000 in favour of July, 1917. However the Canadian Pacific and Canadian Northern show decreases of \$1,005,000 and \$106,000 respectively, while the Grand Trunk, as in other recent months, is the only one to show an increase. It is to be remembered that freight and passenger rates in July this year were 15 per cent. higher than in 1917. So the fact that the traffic receipts with a higher level of rates were barely equal to the figures of a year ago indicates that a smaller volume of freight is moving on the country's railway systems. This situation is interesting in view of the freight rate increase which now becomes effective. The new increase averaging 20 per cent. applies to the recently revised tariff, which is 115 per cent. of last year's. So, one might say that the present level of freight rates is roughly 138 per cent. of the tariff in force a year ago. Canadian Pacific officials are said to have expressed the opinion that in their case the enlarged rates will be sufficient to cover the wage increase; and as the company's stock promptly rose several points in Wall Street on announcement of the news, that market evidently considers that the stock holders will derive some benefit. In this case there is no discriminatory special taxation applied to the Canadian Pacific. It could not well have been done. Some observers think the course of events since the special taxation was imposed in March has been such as to make its revision likely. When the increased tariff is applied to the heavy volume of tariff hauled by Canadian Pacific in the West during the four months—September, October, November and December, there will apparently be substantial gross increases in evidence; but, as yet, no one ventures to predict what the net earnings will be in those four months.

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